

INFORMATION BULLETIN #65

SALES TAX

DECEMBER 2002

(Replaces Bulletin #65 dated March 1993)

DISCLAIMER: Informational bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: Manufactured Homes (Mobile Homes)

REFERENCES: IC 6-2.5-5-29, 50 IAC 3.1-1-4, 45 IAC 2.2-5-65 through 45 IAC 2.2-5-69

I. Retail Sales of Manufactured Homes

The purchases of manufactured homes by authorized dealers are exempt from sales tax. The dealer shall issue a general exemption certificate, Form ST-105, to the manufacturer as a purchase for resale. When the dealer sells the manufactured home to the final consumer he is a retail merchant making a retail transaction. Accordingly, sales tax must be collected on the selling price of the manufactured home. Sales tax should be collected on

sixty five percent (65%) of the selling price. Thirty five percent (35%) of the selling price is attributed to costs other than the cost of material used in manufacturing such structures. The selling price includes delivery, set-up, and utility connections as the manufactured home is not deemed delivered until it is set up.

II. Dealers of Manufactured Homes as Contractors

A dealer of manufactured homes is acting as a contractor when the dealer contracts to make an improvement to real estate by permanently affixing a manufactured home to real estate. A manufactured home is considered affixed to a permanent foundation to the extent that it cannot be moved without material and substantial change to the manufactured home and/or the land. The contract is for an improvement to realty even if the manufactured home is being permanently attached to land not owned by the purchaser of the manufactured home.

A permanent foundation would be evidenced by mortared walls of concrete block, brick, stone, tile, etc. or poured concrete. In these cases the foundation will be partially or totally load bearing. Additional elements that tend to indicate permanence include: permanent utility connections, room additions, patios and porches.

A dealer who permanently affixes a manufactured home to real property pursuant to a lump sum contract for sale without clearly separating selling price from permanent installation costs is acting as a lump sum contractor. When a dealer acts as a lump sum contractor, the dealer must remit use tax on sixty five percent (65%) of the wholesale invoice price of the manufactured home. Sales/use tax must be paid by the dealer on all materials and supplies used in the performance of the contract.

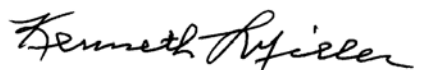
If the dealer segregates a contract into a time and materials contract, sales tax must be collected on sixty five percent (65%) of the unit's selling price and on the full sales price of other tangible personal property transferred as part of the time and material contract.

III. Pre-Owned Manufactured Homes

The gross retail income derived from the sale of a pre-owned manufactured home is exempt from the state gross retail tax.

IV. Modular Homes

Modular homes are not manufactured homes for purposes of this information bulletin. Modular homes are not attached to a chassis nor are the homes movable without specialized equipment. Modular homes are always permanently affixed to a permanent foundation. Thus, any contract to install a modular home is a contract for an improvement to realty. When a lump sum contract is used for sale and installation of a modular home, the contractor must pay sales or use tax on sixty five percent (65%) of the wholesale invoice price (his purchase price of the modular home). When any person purchases a modular home for the purpose of installing it for himself or another, the person shall pay sales or use tax on 65% of the purchase price of the modular home. If the person is acting as a contractor installing the modular home for another person, the contractor shall pay use tax on all materials used in installation.



Kenneth L. Miller
Commissioner